UK government continues plunder of miners' pension scheme

Dennis Moore
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Former miners and their families are waging a struggle against the Conservative government's refusal to reverse a historic injustice over the Mineworkers' Pension Scheme. Tory and Labour governments have plundered the pension scheme following its privatisation in 1994.

The original Mineworkers' Pension Scheme (MPS) was set up by British Coal in 1952 and was the larger of two pensions schemes in the coal industry. The other was the British Coal Staff Superannuation Scheme.

The state-orchestrated defeat of the year-long 1984-5 strike paved the way for the privatisation of the pension scheme. The defeat saw the mass closures of pits, the end of the UK mining industry, and the widespread impoverishment of mining communities.

In 1994, the Mineworkers Pension Scheme was privatised, and the existing British Coal schemes closed to future contributions. The government took over the role as guarantor for the MPS from British Coal. It was arranged that 50 percent of the surplus in the scheme at privatisation would be used to enhance members' pensions immediately. The other 50 percent would be being payable to the government as guarantor. It was stipulated that the government's share would be left in the MPS as the Investment Reserve and paid to it over a 25-year period.

In 2021, the MPS had 124,796 pensioner members and 11,104 deferred members. It is currently managed by 10 Trustees. It is estimated that governments, including Labour, in power for 13 years from 1997-2010, have taken £1 million a day out of the pension fund since 1994, a total of around £4.4 billion.

When miners were employed, they contributed a sizable 5.2 percent of their pay towards the pension scheme. But 50 percent of ex-miners receive an average £65 per week in pension, plus a £19 per week bonus. A further 25 percent are paid less than £35 per week, and 10 percent of miners are paid less than £18 per week. Many miners' widows receive just £10 a week in pension payments.

In 2019, a 100,000-strong petition by campaigners was handed to Downing Street, calling for a fairer deal. It demanded a review of pension arrangements for over 150,000 former mineworkers and widows. The number of MPS pension recipients is diminishing each year, with an estimated 7,000 dying, some from their industrial injuries. Many retired miners have been affected disproportionately by chronic health conditions, caused by poor working conditions.

So grotesque was the government denial of pension rights to former miners that Parliament's Business, Energy and Industrial Strategy Committee (BEIS), despite being majority run by Conservative MPs, agreed to hold an inquiry into the crisis earlier this year.

Witnesses told inquiry that when the MPS was set up with the government becoming sole guarantor to the scheme, it was understood that this would guarantee members always receiving the benefits that they had earned up to the scheme being privatised, increasing in line with inflation. In return, the government would receive 50 percent of surpluses of future valuations with the remaining 50 percent distributed among members via bonuses.

Chair of the Trustees Chris Cheetham explained that this arrangement was highly unusual. "There is no current situation where sponsors (government) take money out of the scheme that they are responsible for; indeed, they cannot. Regulations do not enable it."

Prior to the 1994 scheme being implemented, the previous scheme was in surplus at both the 1987 and 1990 valuations and at both times a 70:30 split (in favour of members) was agreed. This prior arrangement has prompted questions about why members entitlement of 70 percent ended up being reduced to 50 percent from the 1994 valuation onwards.

Cheetham and Allen Young, the Pensioner Elected

Trustee and a former official of the National Union of Mineworkers (NUM), told the committee that the Trustees took actuarial and legal advice when these arrangements were agreed. The advice stressed that the government's proposed guarantee was "essential", and the proposal should be accepted on that basis.

Cheetham and Young told MPs they were critical of the arrangements made in 1993-4, "arguing that there was no negotiation. Basically, the Trustees were given an option of a guarantee with a 50:50 split, take it or leave it".

The BEIS inquiry report, published in April, noted that the government said that it did not seek any actuarial advice at the time of the 1994 agreement, and when asked, Anne-Marie Trevelyan, Conservative minister of State for Business, Energy and Clean Growth, could not provide any explanation why this was the case. Neither could she provide reassurance that the 50:50 split proposed by the government in 1994 was underpinned by any empirical evidence.

Since 1994, the MPS has performed well beyond expectations, with the £4.4 billion taken from the scheme by successive governments made up of £3.1 billion of the governments share of surpluses post 1994 and £1.3 billion from the Investment Reserve.

The government has not had to contribute a penny towards the scheme, while many of those working in the mines suffering with long-term health conditions are having to accept a take it or leave it deal with the government set to take another £1.9 billion.

The BEIS report points to a lack of due diligence at the time of negotiations when the scheme was set up and the government was deemed negligent in not taking actuarial advice. It pointed to there being no evidence that would have supported the 50/50 split in the way the fund was apportioned out, with the government entitlement to 50 percent of surpluses not proportionate to the level of financial risk it faces.

The government, as the guarantor of the scheme, claim that they have had to face a "a significant contingent liability" in the event that there is a shortfall, leaving them having to find the money to ensure pension payments are paid out.

The level of risk claimed by the government is spurious. The scheme was in deficit in 2002, 2008, and 2011, yet the government did not have to pay into the scheme. The government is protected because the scheme's rules protect it from having to fund the scheme in the event of short-term deficits.

The scheme performed well financially throughout both the 2008 financial crisis and the COVID-19 pandemic throughout 2020, where there was a return of 6.2 percent. Despite downturns in global markets the overall financial risk to the government is low.

The BEIS report noted a lack of any formal period review mechanism as being unfair, considering that the relative size of the fund and that the numbers of scheme members has fallen significantly since 1994. The government's price for the guarantee has not been adjusted to take account of reduced risk.

The BEIS inquiry made several recommendations after stating that "government should not be in the business of profiting from miners' pensions". It said, "If this £1.2bn fund was to be distributed to members, this would roughly equate to a £14 per week uplift for members on the average pension of £84 per week."

In June, the government rejected the committee's recommendations, including the dispersal of £1.2 billion to miners, claiming that the scheme was "fair and beneficial to both Scheme members and taxpayers."

The National Union of Mineworkers, which once represented hundreds of thousands of miners and now has less than 200 members, has waged no serious campaign in defence of pensioned miners. It told the BEIS inquiry that the government should "rethink its findings" and that there should be "a more balanced approach to the distribution of surplus funds, with the recommendation that its [the government's] entitlement to the Investment Reserve of £1.2bn is also redirected to pension members."

The campaign for miners to get justice in the fight for pension rights has been largely led by independent campaigns, such as National Mineworkers Pension Campaign (NMPC).

Responding to the government decision denying the miners' justice, one member of the group commented on Facebook, "They should be taken to Court for theft, but it's the government they can do what they like. Criminals no less."

Another stated, "We don't need or have ever needed a guarantor. Time to get rid of it, we must stop these 21st century robbers from having our money."